



Department of Planning & Community & Economic Development

Community Development Division

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Child Care
Community Resources
Community Development Block Grant
Madison Senior Center

To: CDBG Committee
From: Linette Rhodes, CDD
Date: July 27, 2015

RE: Quaker Housing 2102 Fisher St- Promissory Note

Quaker Housing plans to sell its 2102 Fisher St. affordable housing project to Fisher-Taft LLC. The sole member of Fisher-Taft LLC is Future Wisconsin Housing Fund, Inc., a non-profit corporation with the sole purpose of preserving low-income housing. As part of the sales transaction Quaker will be paying off loans on the property made by the City of Madison. Approval of the attached resolution will execute a needed correction to a promissory note associated with one of these loans.

Quaker Housing received funding in 2000 from the City's Community Development Division (CDD) for the addition of an elevator and a community room at its 2102 Fisher St. property. These rehabilitation projects were divided into two contracts and managed by separate contract managers. The construction of both the elevator addition and the community room addition were part of a larger redevelopment project which included accessibility improvements to the laundry room, a common lavatory and the addition of office space for service agencies. Due to the number of apartment units, this project required Section 3, Davis Bacon and other Fair Labor Standards (FLS). To reduce the scope and thus the cost of these additional requirements, Quaker Housing requested that the "assisted project" no longer include the entire parcel. The units were divided so that 2025 Taft St. received redevelopment with private funding from Quaker Housing and 2102 Fisher St. received funding through the CDD. FLS documentation was thus only required for construction contracts associated with 2102 Fisher St.

CDBG staff, in agreement with Quaker Housing, determined the value of the parcel prior to rehabilitation to be \$1,275,000 and assumed that the size of 2102 Fisher St was 1/3 the size of 2025 Taft Street, creating a value of approximately of \$400,000 for 2102 Fisher St. CDD staff used this information to determine that Quaker Housing would owe 20.81% for one of the contracts (based on 83,240/400,000). This calculation was an error as it did not consider other funding that was also being invested into the redevelopment project at the time.

The CDBG 1999-2000 Framework allowed agencies that received funding under Objective K to choose deferred payment or 2% interest bearing loans. Quaker Housing originally chose to repay the amount of \$50,400 as a 15 year installment note. In 2004, Quaker Housing requested the CDBG Committee change the terms of the note from interest bearing to deferred payment. This would provide Quaker Housing with consistent repayment terms for funds received from CDBG office.

It was determined that the value of improvements made to 2102 Fisher had increased the value to \$610,926.19, which made CDD pro rated invested 8.13% of the total project costs for the addition of the community room (\$50,400).

Conclusion & Recommendation

The original Promissory Note of \$83,240 (which states prorated share at 20.81%) should have considered other source improvements (those funded by Quaker) and should have estimated an after rehabilitation value of \$610,926.19. Thus, the Promissory Note should have a shared appreciation value of 13.4% of the fair market value required at repayment.